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TO AMEMBASSY LONDON

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FOLLOWING REPEAT CANBERRA 1356 SENT SECSTATE INFO MELBOURNE
BY POUCH SYDNEY BY POUCH TOKYO WELLINGTON DATED MAR 3.

QUOTE

LIMITED OFFICIAL USE CANBERRA 1356

EO 11652: N/A

TAGS: ETEL, TSPA, AS

SUBJ: INMARSAT: WALDMANN-URBANY DISCUSSIONS IN CANBERRA

1. WALDMANN AND URBANY MET WITH LARGE GROUP OF AUSTRALIAN
OFFICIALS INTERESTED IN INMARSAT FEBRUARY 28. MEETING WAS HELD
AT DEPARTMENT OF FOREIGN AFFAIRS (DFA) AND WAS CHAIRED BY
ALURIE CORKERY, FIRST ASSISTANT SECRETARY, ECONOMIC RELATIONS
DIVISION, DFA. SENIOR OFFICIALS PRESENT WERE CYRIL VAHTRICK,
DEPUTY GENERAL MANAGER, OVERSEAS TELECOMMUNICATIONS COMMISSION
(OTC) AND P. ECCLES, ASSISTANT SECRETARY, EMERGENCY AND SPECIAL
SERVICES, COASTAL SERVICES DIVISION, DEPARTMENT OF TRANSPORT
(DOT). THE DEPARTMENT OF THE PRIME MINISTER AND CABINET, THE
TREASURY, ATTORNEY-GENERAL'S DEPARTMENT, DEPARTMENT OF
DEFENCE, POSTMASTER GENERAL'S DEPARTMENT (PMG), AND
DEPARTMENT OF SCIENCE WERE ALSO REPRESENTED. IN FOLLOWING
PARAGRAPHS AUSTRALIANS REACTIONS TO WALDMANN'S OPENING STATEMENT,
U.S. DRAFTS OF INTERGOVERNMENTAL AND OPERATING AGREEMENTS, AND
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SUPPORTING COMMENTS BY BOTH WALDMANN AND URBANY ARE SET FORTH

IN SUMMARY FORM.

2. DRAFTS OF INTERGOVERNMENTAL AND OPERATING AGREEMENTS. CORKERY AGREED PANEL OF EXPERTS (POE) DRAFT NEEDED CLARIFICATION. VAHTRICK SAID U.S. DRAFTS PRESENTED BY WALDMANN AND URBANY ACTUALLY BORKE NO NEW GROUND SINCE INTELSAT HAS BEEN OPERATING SOME TIME UNDER SIMILAR ARRANGEMENTS, WITH WHICH HE SAID HE WAS SATISFIED. HOWEVER, IT WOULD BE PREMATURE TO ACCEPT OR REJECT PRESENT U.S. APPROACH AT THIS TIME AS OTHERS SHOULD HAVE OPPORTUNITY TO EXPLAIN VIEWS. NEVERTHELESS U.S. CONCEPT GAVE HIM NO PROBLEM AS A CONCEPT. BASIC ISSUE WAS WHETHER THERE SHOULD IN FACT BE TWO AGREEMENTS IN THE INMARSAT CASE.

3. TWO-AGREEMENT CONCEPT. FOLLOWING EXPLANATION BY URBANY OF REASONS FOR U.S. TWO-AGREEMENT APPROACH, ATTORNEY GENERAL'S DEPARTMENT REPRESENTATIVE ASKED IF U.S. COULD STILL PARTICIPATE IN INMARSAT IF LONDON CONFERENCE SUPPORTS ONE-AGREEMENT SYSTEM. URBANY RESPONDED HE NOT OPTIMISTIC THOUGH U.S. PARTICIPATION WOULD NOT BE RULED OUT. HE DID NOT, HOWEVER, SEE ANY OTHER ACCEPTABLE WAY OF ARRANGING U.S. PARTICIPATION. WALDMANN OBSERVED THAT KEY TO U.S. POSITION WAS FACT THAT USG CANNOT ACCEPT RESPONSIBILITY FOR COMMERCIAL VIABILITY OF U.S. OPERATING ENTITY AND THEREFORE COULD NOT ACCEPT ONE-AGREEMENT APPROACH IF IT DID NOT ADEQUATELY TAKE THIS INTO ACCOUNT.

4. DESIGNATED ENTITY. ECCLES AND OTHER DOT REPS EXPRESSED CONCERN AT FACT THAT U.S. OPERATIONS WOULD BE LEFT ENTIRELY TO COMMERCIAL ENTITY. THIS CONCERN APPARENTLY BASED ON TWO CONSIDERATIONS: (1) ENFORCEMENT OF QUALITY OF SERVICE STANDARDS AND (2) POSITION OF SAFETY AGENCIES DEPENDING ON SYSTEM IN EVENT OF COMMERCIAL FAILURE OF OPERATING ENTITY, WHICH WOULD NOT BE UNDERWRITTEN BY U.S. GOVERNMENT. FOLLOWING DISCUSSION OF FIRST POINT IT WAS GENERALLY AGREED THAT QUALITY STANDARDS COULD BE ENFORCED IN SAME WAY THEY ARE TODAY IN COMPARABLE CASES THROUGH USG AND INTERNATIONAL ORGANIZATION REGULATIONS. ON POINT 2 IT WAS AGREED PROBLEM POSED WAS HYPOTHETICAL BUT INTERESTING ONE WHICH WOULD BE EXPLORED BY URBANY ON RETURN TO U.S.

5. PROCUREMENT POLICY. WALDMANN STATED U.S. VIEW THAT INMARSAT PROCUREMENT DECISIONS SHOULD BE MADE ON BASIS OF LOWEST POSSIBLE LIMITED OFFICIAL USE

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COST, QUALITY AND DELIVERY TIMES. VAHTRICK RESPONDED THAT GOA HAD LONG FAVORED THESE PRINCIPLES BUT QUESTIONED WHETHER THEY WERE REALISTIC IN SOME CASES IN VIEW OF ASPIRATIONS OF PROCURING COUNTRIES. WALDMANN SAID HE WOULD APPRECIATE AUSTRALIA'S CONTINUING SUPPORT ON THIS QUESTION.

6. ACCESS. WALDMANN INDICATED U.S. PREFERENCE FOR THE PRINCIPLE THAT MEMBERS OF EITHER IMCO OR ITU SHOULD BE ABLE TO SIGN INMARSAT

AGREEMENT, RATHER THAN AN "ANY STATE" FORMULATION. CORKERY SAID THE GOA WOULD TAKE NOTE BUT WOULD LIKE TO THINK FURTHER ABOUT THIS QUESTION. ON THE PROBLEM OF DIFFERENTIAL CHARGES TO NON-MEMBERS VS. NON-DISCRIMINATION, URBANY POSED QUESTION OF WHETHER OR NOT NON-INVESTORS SHOULD BE "GIVEN FREE RIDE." HE SAID USG HAD COME TO NO CONCLUSION ON THIS POINT AND ASKED THE AUSTRALIANS ALSO TO GIVE FURTHER THOUGHT TO IT.

7. ORGANIZATION OF LONDON CONFERENCE. WALDMANN COMMENTED THAT USG WAS THINKING OF A STRUCTURE OF THREE GROUPS, AN OPERATIONS/ TECHNICAL COMMITTEE, AN ECONOMIC COMMITTEE, AND AN INSTITUTIONAL/ POLICY COMMITTEE. VAHTRICK EXPRESSED AGREEMENT WITH THIS IDEA BUT TOOK THE OPPORTUNITY TO EXPRESS SERIOUS DOUBT AS TO WHETHER FURTHER ECONOMIC FEASIBILITY STUDIES WERE REQUIRED. HE SAID AN ORGANIZATION SHOULD NOW BE ESTABLISHED TO DECIDE THE KIND OF SYSTEM INMARSAT WOULD BE -- SPECIFIC DECISIONS ON CAPITAL CEILINGS, ENTRY CONDITIONS, ETC. WERE NOW REQUIRED. WALDMANN RESPONDED THAT THESE WERE ALL QUESTIONS CONFERENCE SHOULD CONCERN ITSELF WITH BUT THAT ECONOMIC VIABILITY OF INMARSAT WAS STILL NOT SUFFICIENTLY ESTABLISHED TO JUSTIFY SPECIFIC DECISIONS. ALL PRESENT AGREED THAT LONDON CONFERENCE WOULD ONLY REACH AGREEMENT IN PRINCIPLE AND THAT FURTHER MEETINGS WOULD BE REQUIRED.

8. MISCELLANEOUS. RESPONDING TO URBANY'S REQUEST FOR REACTION TO USE OF INMARSAT BY SHIPS IN PORT PMG DEPARTMENT REPRESENTATIVE OBSERVED THAT IT WOULD PROBABLY BE CHEAPER IN AUSTRALIA TO USE PMG FACILITIES ANYWAY. WALDMANN ASKED FOR VIEWS ON THE RELATIONSHIP BETWEEN INMARSAT ON ONE HAND AND THE NEW U.S. MARASAT SYSTEM AND THE PROPOSED EUROPEAN MAROTS SYSTEM ON THE OTHER. THE AUSTRALIANS INDICATED THEY HAD LITTLE INFORMATION ON THE LATTER TWO SYSTEMS AND REQUESTED FURTHER DETAILS. VAHTRICK INQUIRED IF THEY WOULD BE DISCUSSED IN LONDON. URBANY REPLIED THEY LIMITED OFFICIAL USE

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WOULD NOT BE ON THE AGENDA ALTHOUGH THEY WOULD INEVITABLY BE DISCUSSED INFORMALLY. HARROP UNQUOTE INGERSOLL

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